Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
2000 Biennial Regulatory Review -	)	CC Docket No. 00-199
Comprehensive Review of the	)	
Accounting Requirements and	)	
ARMIS Reporting Requirements for	)	
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

INITIAL COMMENTS OF THE MARYLAND PUBLIC SERVICE COMMISSION

The Maryland Public Service Commission appreciates the opportunity to submit comments to the Federal Communications Commission (FCC) regarding its Notice of Proposed Rulemaking (NPRM) on the 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3 in CC Docket No. 00-1999.

BACKGROUND

In 1999, the FCC initiated a two-phased comprehensive review of its accounting rules and the related reporting requirements for incumbent local exchange carriers ("ILECs"). In this NPRM, the FCC seeks comment regarding FCC proposals to further streamline accounting and reporting requirements in the near-term (Phase 2) and the long-term (Phase 3) as the telecommunications industry moves towards a more competitive environment. The FCC proposals for Phase 2 would:

1. Eliminate 77 of the 296 Class A accounts in the FCC's Uniform System of Accounts ("USOA"), 47 C.F.R. Part 32, primarily revenue and expense accounts for the largest Incumbent Local Exchange Carriers (ILECs).

2. Eliminate the FCC's affiliate transaction rules

3. Eliminate the expense limit rules

The NPRM also seeks comment regarding whether the FCC should adopt the United States Telephone Association's ("USTA") proposal to further streamline the accounting and ARMIS requirements by:

1. Eliminating Class A accounting altogether.

2. Eliminating the continuing property records ("CPR") requirements.

3. Eliminating forecasts for use in allocating joint costs between regulated and non-regulated activities.

4. Eliminating the majority of the ARMIS reports for mid-sized telcos, including all state-by-state reporting requirements .

Additionally, the NPRM seeks comment regarding whether certain accounts suggested by states should be added to reflect recent changes in technologies and regulatory requirements.

The Maryland Commission concurs with comments filed by NARUC and offers comments on selected aspects of the NPRM. Overall, the MDPSC agrees with simplification and streamlining where appropriate, and certainly agrees with eliminating any overlap of federal and state reporting requirements, but we have several concerns with the NPRM proposals.

Part 32 Accounting Rule

Chart of Accounts

The MD PSC believes that the FCC's proposed elimination of plant specific, plant non-specific, customer, and corporate expense account details could be problematic as these accounts are often used in tariffing and Unbundled Network Element (UNE) pricing functions.

With regard to USTA's proposals to eliminate Class A accounting requirements, we are unequivocally opposed to such action. The loss of the detail provided in Class A accounting requirements would undermine our ability to understand the nature of the carriers' costs, which are largely driven by their network plant investments. Under Class B accounting, almost nothing would be known about these costs. For example, under Class B accounting, all outside cable and wire investments are contained in one account. Thus, with Class B accounting, no detail would be available regarding the construction or makeup of the various types of outside plant. The Class A accounting cost accounts are critical components used to establish proper rates for universal service support, UNEs, and pole attachments that ILECs charge their customers and competitors. Maryland relies in part on the data that carriers report to the FCC as this information is often used in support of such pricing decisions.

The lack of detailed cost data would inhibit our ability to set or assess the carriers' depreciation rates and could compromise the FCC's figures for life and salvage ranges, since the various types of plant inherently have widely diverse life and salvage characteristics. Combining them would seriously distort the usefulness of the current prescribed FCC ranges and undermine all the programs that rely on the data (i.e., universal service cost proxy models, UNE pricing, etc.). Moreover, no cost data would be available for developing realistic cost models or even evaluating cost studies prepared by the ILECs.

The USTA argument that Class A accounting requirements are too burdensome for the largest ILECs does not seem particularly compelling when it is known that these carriers maintain from 2000 to 3500 accounts in each of their own accounting systems. To comply with the FCC's Class A accounting, they simply aggregate their own account balances into the Class A format of approximately 300 accounts.

Additional USTA Proposals

Continuing Property Records

The MDPSC believes that the USTA's proposal to eliminate existing Continuing Property Records (CPRs) requirements would also be problematic. These records are necessary to ensure that the largest and most important accounts, the network plant accounts, accurately reflect those assets actually in service. Also, CPRs provide data for jurisdictional separations and cost allocations studies. Moreover, these records provide material-only costs for accounting for transfers, reallocations, and adjustments of plant. If these records are inaccurate, virtually all of the ILECs' cost data would be suspect.

Cost Allocations

Additionally, the MDPSC believes that eliminating the forecast use rule for allocating joint investments between the carriers' regulated operations and nonregulated ' (or new) operations would result in the over allocation of nonregulated costs to the carriers' regulated operations. As the FCC is well aware, the markets for carriers' regulated activities are large, well-established, and mature, while the nonregulated activities, subject to the 'forecast use' rule, are new 'upstart' activities and in their infancy. These new upstart activities are generally activities where the potential for robust competition is greatest. If ILECs have the ability to shift the costs of these new service offerings to their regulated activities, competition for these new upstart services will be seriously undermined. The forecast use rule, which is based on the cost causative principle, is critical for allocating costs fairly here because forecast use provides the best measure of the new services' intended use. As carriers make investments aimed at increasing their revenues in new 'upstart' nonregulated activities it is important to use forecasts so that the FCC can allocate the appropriate 'use' of the new assets to the carriers' nonregulated activities; otherwise the carriers would be able to allocate almost all of the new investments to the regulated operations for many years even though the investments are being made primarily to develop their newer, nonregulated activities.

Streamlined ARMIS Reporting Requirements for Mid-Sized Carriers

The USTA's proposal to eliminate practically all current ARMIS reporting requirements for mid-sized carriers is quite disturbing. (Indeed, in establishing rules for electric competition, the Maryland Commission applied stringent standards regarding cross-subsidization.) All of the ARMIS reports are important to an understanding of the carriers' local exchange and access operations - both their financial status and technical capabilities. Without this data, the FCC would be severely hampered in carrying out its mandate to assure a rapid and efficient nationwide telecommunications system for all Americans

Since ARMIS only collects the basic information the FCC requires from carriers, ARMIS reporting is not a significant burden to them. One of the real values of the ARMIS data is that it is collected in a uniform and standard format so that the states and the public have efficient and reliable access to it. Moreover, it is data that is needed in establishing regulated service rates, UNE prices, interconnection rates, depreciation rates, universal service support, and accessing service quality, and service quality trends, network functionality, capabilities, and reliability.

Further, the MD PSC believes the USTA's proposal to eliminate state-by-state ARMIS information would undermine our and other states' use of any data provided in ARMIS. Such elimination would also harm the FCC's ability to monitor and investigate ILEC activities, especially in cases where a targeted investigation may be warranted, such as the recent investigation of service quality in the Ameritech region.

Additionally Needed Accounts Suggested by States

The accounts suggested by states for new technologies such as ATM switches, are appropriate and necessary to enable the FCC to maintain an up-to-date accounting system, and should enable the FCC and states to continue to understand the nature of the ILEC's investment and ensure that prices are reflective of their actual costs. Moreover, such information should help the MDPSC to monitor technology deployment, collocation, and interconnection cooperation. The creation of expense and revenue accounts for UNEs and interconnection should also aid us in administering the prices of these services.

Respectfully submitted,

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